

25X1

Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030046-5

Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030046-5

CIA / OER / S-06377-74

25X1

TRANSMITTAL SLIP		DATE
		22 Aug 74
TO:		
ROOM NO.	BUILDING	OCI
	Hqs.	
REMARKS:		
(S-6377)		
Distribution:		
Original & 1 - Addressee		
1 - D/OER		
25X1		
FROM:		
Chief, U/EE/OER		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241
1 FEB 55

REPLACES FORM 35-8
WHICH MAY BE USED.

(7)

25X

CONFIDENTIAL

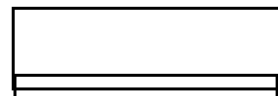
CONFIDENTIAL

Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030046-5

Poland: Recent Economic Developments

(S-6377)

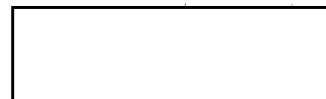
25X1



21 August 1974

25X

CONFIDENTIAL



25X

Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030046-5

Poland: Recent Economic Developments

Poland's economic growth has averaged an excellent 7% since Gierek took power in 1970. Three successive good years in agriculture are largely responsible. In addition, a rapid increase in credits and imports from the West -- following Gierek's adoption of less restrictive trade policies -- has contributed to a sharp rise in investment. The Polish consumer has shared in the general economic advance, gains being most noticeable in meat and consumer durables. So far in 1974, the economic situation has been marked by further rapid gains in trade with the West, only average crop prospects, and steady increases in industrial output. (See Table 1 for Polish economic indicators through 1973.)

The Domestic Economy

Both crops and livestock registered strong gains during 1971-73, following a poor agricultural year in 1970. The higher farm output provided the raw materials to boost output in the food industry by an average annual rate of 9-1/2% during 1971-73, compared with only 3% during 1966-70. This development helped raise overall consumer goods output which actually exceeded the growth of producers' goods in 1971-73. Even the growth of housing construction -- a chronic problem in Poland -- has accelerated since 1970. Also symbolic of the consumer's improved position was the average increase in

CONFIDENTIAL

CONFIDENTIAL

Approved For Release 2005/12/14 : CIA-RDP85T00875R001900030046-5

Table 1

Poland: Indicators of Economic Growth a/

	Average 1966-70	<u>Percent</u> Average 1971-73
Gross national product <u>b/</u>	4-1/2	7
Agriculture <u>c/</u>	2	6-1/2
Industry <u>c/</u>	8	10
Producers' goods <u>c/</u>	9	10
Consumers' goods <u>c/</u>	6-1/2	10-1/2
Fixed investment	8	18
Consumption (per capita)	4	7-1/2
Meat	1-1/2	5-1/2

a. Official Polish data, except as indicated. Numbers rounded to nearest one-half percent.

b. CIA estimates.

c. Gross production.

CONFIDENTIAL

per capita consumption of meat at 5-1/2% annually, compared with only 1-1/2% during 1966-70. Through mid-August 1974, growth in the agricultural sector has suffered setbacks as a result of reduced crop production due to adverse weather conditions during last winter and early spring. The wheat crop, for example, is expected to be about 5% smaller than last year. Overall industrial production, on the other hand, increased by almost 13% in the first six months of 1974 compared to the same period a year earlier.

The rapid rise in money incomes that has accompanied the recent growth has outstripped the increase in available goods and services. Saving deposits are growing even more rapidly than under Gierek's predecessors. Expectations continue to rise, and the government remains hard pressed to meet the needs for both industrial development and consumer betterment while simultaneously curbing increases in money incomes. The government has in the meantime imposed import restrictions on non-essential items and selectively increased prices -- most notably on alcohol and petroleum products.

Trade with the West

Gierek's reversal of restrictive trade policies with the Industrial West* has already been reflected in trade statistics.**

* Including Australia, Austria, Belgium, Luxemborg, Canada, Denmark, Finland, France, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, United States, and West Germany.

** Official Polish data.

CONFIDENTIAL

Imports from the West had increased from about \$550 million in 1965 to \$900 million in 1970, then moved sharply upward to \$3.4 billion in 1973.* The West's share of Polish imports increased from 25% to 44%. Poland's exports to the West also increased, but not so rapidly. Consequently, the small trade surplus with the West in 1970 turned into a deficit of almost \$1.4 billion in 1973.

The United States has participated actively in Poland's burgeoning trade with the West. The creation of the US-Polish Joint Trade Commission and the extension of Export-Import Bank credits -- both in 1972 -- were catalysts for this expansion. US exports to Poland almost tripled in one year from \$122 million in 1972 to \$350 million in 1973. US imports from Poland increased much more slowly -- from \$142 million to \$190 million. Consequently, last year marked the first time since 1964 that the United States has had a trade surplus with Poland.

US-Polish trade has continued to expand in 1974. US exports to Poland for the first four months of 1974 increased by 82% compared with the same period in 1973, while US imports from the United States will reach the \$500 million mark in 1974.

* Because of the virulent worldwide inflation of recent years, almost all international monetary totals contain a lot of gas. Nonetheless, the expansion of Polish trade with the West has been quite substantial in real terms.

CONFIDENTIAL

CONFIDENTIAL

Poland's imports of US technology have been supported in part by Export-Import Bank credits. Ex-Im credits, for example, helped finance machinery contracts with US firms worth about \$250 million in 1973. Many of these purchases -- for example, meat processing, metallurgical, and electronic equipment -- will be used to modernize Polish industry and at the same time to increase sales of Polish products to western markets. All indications point to continued Polish interest in such cooperative deals. Further contract negotiations are underway with various US firms representing mining, electronics, motor vehicle, and other interests.

Trade with the West as a whole also has continued to grow rapidly this year. In the first five months of 1974, Polish imports from the West were 79% higher than the same period in 1973. At the same time, Polish exports to the West increased 43%. Consequently, Poland accrued an additional \$774 million trade deficit with the West during the five-month period. Rising world prices account for a substantial portion of the dollar increases.

Poland's current creditworthiness is apparently sound despite its growing hard currency indebtedness, which reached an estimated \$2.7 billion* at the end of 1973. Warsaw's known outstanding debt to the United States was about \$400 million at the end of 1973. PL-480 loans accounted for \$302 million of the debt while CCC credits amounted to another \$87 million.

* Including short-term debt.

CONFIDENTIAL

CONFIDENTIAL

The Export-Import Bank authorized additional credits in March 1974 totaling \$97 million, of which \$3.5 million had been drawn. In addition to the known debt, private credit extended by US banks to Poland probably amount to at least another \$100 million.

Future trade prospects with the West are clouded by a combination of external and domestic factors. Western inflation will likely have an adverse effect on Polish terms of trade. Moreover, Polish meat exports to the EC -- an important hard currency earner -- will probably shrink as a result of present Common Market policies. Also -- partly because of the length of the investment cycle for much of the imported Western technology and partly because of the inflexibility of Communist economic institutions -- the industrial sector has failed to produce the planned amounts of export goods. Therefore, the Poles may be squeezed for hard currency as large credits extended by the West in 1972-74 begin falling due. But, Poland seems committed to a policy of industrial expansion and modernization by importing Western technology and to a policy of reliance on large Western credits to meet its goals.

Trade with the USSR and Eastern Europe

As the share of trade with the West has increased, the USSR's share has declined, and Eastern Europe's share has remained about the same. This does not reflect, however, any

CONFIDENTIAL

CONFIDENTIAL

change in Polish economic relations with its Communist trading partners. Rather, the trade expansion with the West has been so vigorous as to overshadow the continuing growth of trade with the Communist countries.

The USSR remains Poland's principal trading partner, accounting for about one-fourth of Poland's imports and one-third of its exports in 1973. Other East European countries accounted for about one-fourth of both imports and exports. Poland still depends on those countries for most of its imports of fuel, raw materials, and semimanufactures.

CONFIDENTIAL

~~CONFIDENTIAL~~

APPENDIX

Poland: Selected Economic Statistics a/

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Gross national product b/ (billions of constant 1972 dollars)	49.2	52.6	56.5	60.8
Population (millions at mid-year)	32.5	32.8	33.1	33.4
Grain (thousand tons)	15,399	18,928	19,258	20,462
Potatoes (thousand tons)	50,301	39,801	48,735	51,917
Livestock, slaughter weight (thousand tons)	3,023	3,033	3,351	3,695
Coal (million tons)	140	145	151	157
Electric power (billion KWH)	64.5	69.9	76.5	84.3
Fertilizer (thousand tons)	1,629	1,787	1,910	2,177
Cement (million tons)	12.2	13.1	14.0	15.5
Trade with the West (million US dollars)				
Imports	901.0	1,075.0	1,772.5	3,431.1
Exports	962.0	1,099.0	1,397.6	2,063.1
Trade with the United States (million US dollars)				
Imports	58.3	80.9	109.9	314.7
Exports	92.8	106.3	128.0	190.2

- a. Official Polish data, unless otherwise indicated.
b. CIA estimates.

~~CONFIDENTIAL~~